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Wanted: Personal Economic Trainers. Apply at Capitol.

By Steven Pearlstein
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As long as we're about to spend gazillions to stimulate the economy, I'd like to suggest we throw in another $53.5 million for a cause dear to all business journalists: economic literacy. And what better place to start than right here in Washington.

My modest proposal is that lawmakers be authorized to hire personal economic trainers over the coming year to sit by their sides as they fashion the government's response to the economic crisis and prevent them from uttering the kind of nonsense that has characterized the debate over the stimulus bill during the last two weeks.

At a minimum, we'd be creating jobs for 535 unemployed PhDs. And if we improved government economic policy by a mere 1 percent of the trillions of dollars we're dealing with, it would pay for itself many times over.

Let's review some of the more silly arguments about the stimulus bill, starting with the notion that "only" 75 percent of the money can be spent in the next two years, and the rest is therefore "wasted."

As any economist will tell you, the economy tends to be forward-looking and emotional. So if businesses and households can see immediate benefits from a program while knowing that a bit more stimulus is on the way, they are likely to feel more confident that the recovery will be sustained. That confidence, in turn, will make them more likely to take the risk of buying big-ticket items now and investing in stocks or future ventures.

Moreover, much of the money that can't be spent right away is for capital improvements such as building and maintaining schools, roads, bridges and sewer systems, or replacing equipment -- stuff we'd have to do eventually. So another way to think of this kind of spending is that we've simply moved it up to a time, to a point when doing it has important economic benefits and when the price will be less.

Equally specious is the oft-heard complaint that even some of the immediate spending is not stimulative.

"This is not a stimulus plan, it's a spending plan," Nebraska's freshman senator, Mike Johanns (R), said Wednesday in a maiden floor speech full of budget-balancing orthodoxy that would have made Herbert Hoover proud. The stimulus bill, he declared, "won't create the promised jobs. It won't activate our economy."

Johanns was too busy yesterday to explain this radical departure from standard theory and practice. Where does the senator think the $800 billion will go? Down a rabbit hole?

Even if the entire sum were to be stolen by federal employees and spent entirely on fast cars, fancy homes, gambling junkets and fancy clothes, it would still be an $800 billion increase in the demand for goods and services -- a pretty good working definition for economic stimulus. The only question is whether spending it on other things would create more long-term value, which it almost certainly would.

Meanwhile, Nebraska's other senator, Ben Nelson (D), was heading up a centrist group that was determined to cut $100 billion from the stimulus bill. Among his targets: $1.1 billion for health-care research into what is cost-effective and what is not. An aide explained that, in the senator's opinion, there is "some spending that was more stimulative than other kinds of spending."

Oh really? I'm sure they'd love to have a presentation on that at the next meeting of the American Economic Association. Maybe the senator could use that opportunity to explain why a dollar spent by the government, or government contractor, to hire doctors, statisticians and software programmers is less stimulative than a dollar spent on hiring civil engineers and bulldozer operators and guys waving orange flags to build highways, which is what the senator says he prefers.

And then there is Sen. Tom Coburn (R-Okla.), complaining in Wednesday's Wall Street Journal that of the 3 million jobs that the stimulus package might create or save, one in five will be *government* jobs, as if there is something inherently inferior or unsatisfactory about that. (Note to Coburn's political director: One in five workers in Oklahoma is employed by government.)

In the next day's Journal, Coburn won additional support for his theory that public-sector employment and output is less worthy than private-sector output from columnist Daniel Henninger. Henninger weighed in with his own list of horror stories from the stimulus bill, including $325 million for trail repair and remediation of abandoned mines on federal lands, $6 billion to reduce the carbon footprint of federal buildings and -- get this! -- $462 million to equip, construct and repair labs at the Centers for Disease Control and Prevention.

"What is most striking is how much 'stimulus' money is being spent on the government's own infrastructure," wrote Henninger. "This bill isn't economic stimulus. It's self-stimulus."

Actually, what's striking is that supposedly intelligent people are horrified at the thought that, during a deep recession, government might try to help the economy by buying up-to-date equipment for the people who protect us from epidemics and infectious diseases, by hiring people to repair environmental damage on federal lands and by contracting with private companies to make federal buildings more energy-efficient.

What really irks so many Republicans, of course, is that all the stimulus money isn't being used to cut individual and business taxes, their cure-all for economic ailments, even though all the credible evidence is that tax cuts are only about half as stimulative as direct government spending.

Many, including John McCain, lined up this week to support a proposal to make the sales tax and interest payments on any new car purchased over the next two years tax-deductible, along with a $15,000 tax credit on a home purchase. These tax credits make for great sound-bites and are music to the ears of politically active car salesmen and real estate brokers. Most economists, however, have warned that such credits will have limited impact at a time when house prices are still falling sharply and consumers are worried about their jobs and their shrinking retirement accounts. Even worse, they wind up wasting a lot of money because they give windfalls to millions of people who would have bought cars and houses anyway.

What adds insults to injury, however, is that many of the senators who supported these tax breaks then turned around and opposed as "boondoggles" much more cost-effective proposals to stimulate auto and housing sales, such as having the government replace its current fleet of cars with hybrids or giving money to local housing authorities to buy up foreclosed properties for use as low-income rental housing.

Personal economic trainers would confirm all this. Until they're on board, however, here's a little crib sheet on stimulus economics:

Spending is stimulus, no matter what it's for and who does it. The best spending is that which creates jobs and economic activity now, has big payoffs later and disappears from future budgets.

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